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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 07/18/08

Index:

- 1) Top headlines
- 2) Editorials

Prime Minister's daily schedule: On vacation in Tokyo

- 3) Jiji poll has the Fukuda Cabinet support rate rising 2 points to 21.1 PERCENT , still well in the "danger zone" (Tokyo Shimbun)

Defense and security affairs:

- 4) Government to put off dispatch of SDF to mainland Afghanistan due to divided views in the ruling parties (Asahi)
- 5) In shelving dispatch of SDF to Afghanistan, Fukuda government is giving priority to political stability over contributing to U.S. effort (Asahi)
- 6) Tokyo high court orders central government to pay 194 million yen compensation to homeowners who filed lawsuit over Yokota aircraft noise (Tokyo Shimbun)

Diplomatic agenda:

- 7) Following G-8 summit triumph, Prime Minister Fukuda hit with series of diplomatic challenges, including Korean Peninsula, Afghan aid issues (Tokyo Shimbun)
- 8) Investigation of abductions promised by Pyongyang remains up in the air, with no prospects in sight for a Japan-North Korea foreign ministers' meeting at ARF (Mainichi)
- 9) China's Vice Foreign Minister Wu in meeting with LDP's Yamasaki in Beijing urges Japan to join energy aid effort toward North Korea (Asahi)
- 10) Former Prime Minister Abe blasts LDP's Koichi Kato for suggesting that the five repatriated abductees should have been

returned to DPRK as promised (Yomiuri)

11) Abductee family association to send questionnaire to Diet members querying the propriety of removing sanctions now imposed on North Korea (Sankei)

12) South Korea's ambassador to Japan: Planned September visit to Japan by President Lee may be cancelled (Mainichi)

13) Nukaga in Middle East wooing oil money to Japan (Asahi)

14) Coordination between Japan and Russia to have Prime Minister Putin visit Japan in December (Yomiuri)

15) Vietnam ODA scandal: PCI Company to be tried on bribery charge (Mainichi)

Political scene:

16) Prime Minister Fukuda, now vacationing at a hotel, meets aide, fuels speculation he is planning cabinet shuffle (Mainichi)

17) Convening of extraordinary Diet session planned for late August may be put off until September (Mainichi)

18) Possibility of supplementary budget planned for extra Diet session may be put off until after regular session of the Diet is convened (Nikkei)

Articles:

1) TOP HEADLINES

Asahi:

Government forgoes plan to dispatch SDF troops to Afghanistan

Mainichi:

Tokyo prosecutors likely to file charges against ex-PCI executives

TOKYO 00001991 002 OF 012

for bribing Vietnamese official over acceptance of 90 million yen order

Yomiuri:

Government decisions on pension claims vary widely among prefectures

Nikkei:

Inflation rates higher than central bank-set target rates in many countries

Sankei:

24 baseball players chosen for Beijing Olympics; Uehara makes cut for Beijing

Tokyo Shimbun:

Fulltime doctors decrease at public hospitals

Akahata:

Need for hourly wage of at least 1,000 yen

2) EDITORIALS

Asahi:

(1) Darfur: Put an end to this tragedy

(2) Fukawa retrial: Lessons for jury-judge system

Mainichi:

(1) Phone fraud: Need for measures to protect the elderly

(2) Cluster bombs: Next U.S. government should join treaty

Yomiuri:

(1) Revision of the Swords and Firearms Control Law: Will daggers be prohibited?

(2) Akutagawa Prize: Japanese literature turns page with foreign writers

Nikkei:

(1) U.S. government to shift its Iran policy

(2) Future of Chinese economy is not optimistic

Sankei:

(1) Illegal hiring of teaches: Oita Prefecture must conduct re-exams to restore public confidence

(2) Bus hijacking: How to prevent crimes involving minors

Tokyo Shimbun:

(1) Bus hijacking: What a shortsighted act!

(2) Archive management: Good opportunity to reform Kasumigaseki

Akahata:

(1) A consumer agency plan: Politicians must reflect on the situation

3) Poll: Cabinet support up slightly to 21.1 PERCENT

TOKYO SHIMBUN (Page 2) (Abridged)

July 18, 2008

The public approval rating for Prime Minister Yasuo Fukuda's cabinet slightly rose 2.0 percentage points from last month to 21.1 PERCENT in an opinion poll conducted by Jiji Press on July 10-13. The Fukuda

TOKYO 00001991 003 OF 012

cabinet's support rate, which had been on the decline since last November, has stopped dropping for the time being. The disapproval rating was 57.1 PERCENT, down 4.7 points from last month. However, the Fukuda cabinet's support rate is still in a 'danger zone.' Fukuda presided over the July 7-9 Group of Eight (G-8) summit held at Lake Toya in Hokkaido, and he tried to display leadership as its chair. However, the figures show that the event did not boost his popularity.

In the breakdown of public support for political parties, the ruling Liberal Democratic Party fell 2.2 points to 18.1 PERCENT, hitting an all-time low since the Hashimoto cabinet that came into office in January 1966. Meanwhile, the leading opposition Democratic Party of Japan (Minshuto) stood at 15.6 PERCENT, up 1.1 points. The proportion of those with no particular party affiliation increased 0.5 points to 57.7 PERCENT.

The survey was conducted across the nation on a face-to-face basis with a total of 2,000 persons chosen from among men and women aged 20 and over. The response rate was 67.8 PERCENT.

4) Government to forgo sending SDF to Afghanistan; Ruling coalition remains divided on option

ASAHI (Top play) (Abridged slightly)

July 18, 2008

The government is likely to forgo a plan to dispatch Self-Defense Force troops to mainland Afghanistan. The reason is because there is opposition in the ruling bloc, including the New Komeito, and also because there is no prospect for enacting the necessary new legislation. The government intends to enact a bill extending the refueling assistance special measures law beyond next January during the next extraordinary Diet session in the fall, while continuing the refueling operation in the Indian Ocean.

Japan has been conducting refueling activities in the Indian Ocean as part of its assistance to the war on terror in the wake of the 9/11 terrorist attacks on America. Japan has been asked not only for sea-based assistance but also for ground-based support by the U.S. military and NATO forces in Afghanistan who have been forced to increase their troop strengths for their protracted stationing in that country. Japan has been informally asked to send the Ground Self-Defense Force's large transport helicopters and to provide logistical support for the International Security Assistance Force (ISAF) and the Provincial Reconstruction Team (PRT) effort.

In compliance with such a request, the government sent in June a fact-finding team to Afghanistan and its neighboring countries. Based on its findings, the government has considered the possibility of dispatching the Air Self-Defense Force's C-130 transport planes, in addition to GSDF helicopters. But it is difficult to assure their safety in Afghanistan where suicide bombings and insurgents' attacks are still rampant.

Further, opposition is strong in the New Komeito, with its

representative Akihiro Ota voicing to reporters on July 12 his cautious view about sending the SDF to Afghanistan. In the divided Diet, in which the opposition DPJ controls the House of Councillors, the ruling coalition cannot use a two-third House of Representatives override vote to pass legislation without the New Komeito's endorsement. There is no prospect for enacting a bill that includes

TOKYO 00001991 004 OF 012

a new SDF mission.

Given the situation, the view is prevalent among LDP foreign and defense policy specialists that the ruling bloc would not be able to come up with a uniformed view because there are too many obstacles.

A senior government official has recently explained to a visiting U.S. Defense Department official that extending additional assistance would be difficult.

Thinking the refueling operation in the Indian Ocean must be continued, the government plans to submit to the next extra Diet session, which is likely to open in late August, a bill to extend the refueling assistance special measures law beyond the January 15 expiry. In order to enact the law in January this year, the ruling coalition had to use a two-third Lower House override vote because the opposition camp refused to approve it in the Upper House.

The opposition camp is certain to oppose the envisaged bill to extend the law. The government plans to enact the legislation before the end of the year even with the 60-day rule in mind.

The United States has emphasized the need for additional assistance. The government will look for such means as enhancing personnel assistance to the Japan International Cooperation Agency (JICA) and NGOs that are carrying out activities in Afghanistan.

5) Decision to shelve dispatch of SDF to Afghanistan shows priority of stabilizing the Fukuda administration over contributing to the U.S. effort; Government would suffer a great blow if SDF casualties occur

ASAHI (Page 4) (Excerpt)
July 18, 2008

The government is heading in the direction of putting off the dispatch of Self-Defense Forces troops to mainland Afghanistan. The reason is that even if a bill to authorize the dispatch is submitted to the Diet in the fall extraordinary session, it would only stall due to the views in the ruling camp opposing the move and the attacks of the opposition camp. For the Fukuda administration, whose popularity remains low even after the G-8 Summit, the situation inevitably has required giving priority to shoring up its footing over giving consideration to the alliance with the United States.

"The U.S. is growing tired over its alliance relationship with Japan. An Afghan dispatch would have been a great chance for Japan for expectations are very high in the U.S. about such." A Foreign Ministry source cited this as the reason for consideration having been given to an SDF dispatch to Afghanistan.

6) Court orders gov't to pay 194 million yen in compensation for Yokota base noise

TOKYO SHIMBUN (Page 27) (Abridged)
July 18, 2008

The Tokyo High Court yesterday ordered the government to pay approximately 194 million yen in compensation for noise damage to residents living in the vicinity of the U.S. Air Force's Yokota base located across Fussa and other municipalities in Tokyo. A group of some 260 residents living near the base filed a class action lawsuit

TOKYO 00001991 005 OF 012

with the Tokyo District Court at its Hachioji branch against the state, seeking to suspend U.S. military aircraft's late night and

early morning flights and to pay compensation for noise damage. The Tokyo District Court's Hachioji branch ordered the government to pay about 160 million in compensation for noise damage in the past. The Tokyo High Court rectified this court ruling of first instance. The high court upheld the district court's ruling that turned down the plaintiffs' demand for flight suspension and future damages.

Presiding Judge Hidetoshi Munemiya acknowledged the residents' right to claim for damages, noting that the noise damage is beyond the limits of tolerance and is unlawful. The high court ruling added about 34 million yen for noise damage during the period of time from the first instance trial's conclusion through the second instance trial's conclusion.

The high court ruling confirmed the district court's decision to dismiss the plaintiffs' appeal for flight suspension, stating that the U.S. military has base operational authority and it is inappropriate to demand state action for suspending U.S. military operations that are beyond the scope of Japan's claim.

7) Tough challenges continue to face Prime Minister Fukuda after G-8 Summit

TOKYO SHIMBUN (Page 2) (Abridged slightly)
July 18, 2008

Prime Minister Yasuo Fukuda has been encountering one tough issue after another on the diplomatic front. Already faced with mounting domestic issues resulting from soaring oil prices, he cannot afford to lose points on diplomacy, an area in which he takes pride. There seems to be no end to the worries of the prime minister, who has just began his summer vacation after successfully handling this year's G-8 summit as the chair.

The issue of Takeshima/Dokdo, over which both Japan and South Korea have claimed sovereignty, flared up again just before the prime minister's summer vacation. Reacting strongly to the government's decision to specify the ownership of Takeshima for the first time in a middle school teachers' manual, South Korea has recalled its ambassador to Japan.

Seoul has also rejected Tokyo's call for a Japan-ROK foreign ministerial on the sidelines of an international conference in Singapore next week.

The Takeshima issue might also take a toll on the Japan-ROK summit, planned for September in Japan as the first bilateral summit independent of any international conferences.

The prime minister's message highlighting the need to deepen the understanding of each other by overcoming differences in positions has apparently not reached South Korea.

The issue of Japanese nationals abducted to the North remains stalled despite the fact that the question of denuclearizing North Korea has been moving toward disabling its nuclear facilities in the wake of the United States' decision to delist the North as a state sponsor of terrorism.

North Korea promised to reinvestigate the fate of Japanese abductees

TOKYO 00001991 006 OF 012

in Japan-DPRK working-level talks held on June 12 after a nine-month hiatus. It has been over one month, but not even how to reinvestigate them has not been decided.

The clock is ticking for the United States to officially take the North off its list of terrorism-sponsoring nations on August 11. If the North is delisted before any progress is made on the promised reinvestigation, the prime minister is certain to come under fierce fire.

A thorny path also lies ahead for the prime minister's aim of expanded personnel assistance in Afghanistan in line with his slogan of turning Japan into a peace cooperation country.

Chief Cabinet Secretary Nobutaka Machimura simply reiterated in a press conference yesterday that the government is considering what kind of cooperation is possible. The government also eyes legislation enabling the SDF to extend new assistance, in addition to personnel contributions under existing legislation.

But a cautious view is strong in the New Komeito about allowing the SDF to join the International Security Assistance Force (ISAF) which has lost many lives in conflicts with insurgents.

Even if the government and ruling parties manage to reach a consensus, the matter is likely to become a source of dispute in the next extraordinary Diet session, expected to open in late August, given the opposition bloc's control of the Upper House.

8) North Korea's reinvestigation of abduction issue deadlocked, with no prospects for progress in expected Japan-North Korea foreign ministerial at ARF

MAINICHI (Page 2) (Excerpts)
July 18, 2008

North Korea's promise to reinvestigate the issue of Japanese nationals abducted by DPRK agents that was made during official bilateral working-level talks in June has reached a deadlock. An informal foreign ministerial meeting of six countries will be held on July 24 on the sidelines of the annual Association of Southeast Asian Nations Regional Forum (ARF) in Singapore, where Foreign Minister Koumura and his North Korean counterpart Pak are supposed to hold a meeting. But there are no signs that the North plans to bring up the abduction issue. No prospects are in sight for the next round of working-level talks. If the blank period becomes protracted, the validity of the agreement itself may be undermined.

Since both sides agreed on the reinvestigation, Japan has repeatedly called on North Korea for bilateral talks to determine a specific method for the reinvestigation, but the North has made no response. Foreign Ministry's Asian and Oceanian Affairs Bureau Director General Akitaka Saiki said when he met members of the Association of the Families of Victims Kidnapped by North Korea yesterday: "Nothing has been decided about the next round of talks."

Based on the view that the abduction issue should be on the agenda at the six-party talks, Tokyo has prepared a strategy to move the abduction issue forward in line with progress in the North Korean nuclear problem. In actuality, however, only discussions on the nuclear issues at foreign ministerial and other meetings under the six-party framework have made headway, while the abduction issue has

TOKYO 00001991 007 OF 012

been left behind.

9) China urges Japan to take part in energy aid to N. Korea

ASAHI (Page 4) (Full)
July 18, 2008

BEIJING-Taku Yamasaki, chairman of the ruling Liberal Democratic Party's Research Commission on Foreign Affairs, met yesterday in Beijing with Chinese Vice Foreign Minister Wu Dawei, who presides over the six-party talks, to exchange views on the North Korean nuclear issue. Japan has not taken part in economic and energy aid to North Korea in return for its disabling its nuclear facilities. Wu, however, urged Japan to respect the six-party framework, according to Yamasaki. "Japan should take action with the big picture in mind," Yamasaki quoted Wu as saying.

According to Yamasaki, Wu stressed: "We're resolutely against the idea of having another country take over Japan's portion. That would cast a shadow on relations between Japan and North Korea. Besides, it will also hurt the international image of Japan." Wu added, "North Korea will also tackle the abductions issue in earnest, but we also want Japan to consider energy aid in earnest." With this, Wu urged Japan to take part in energy aid to North Korea.

10) Former Prime Minister Abe blasts LDP's Koichi Kato for

suggesting that the five repatriated abductees should have been returned to DPRK as promised (Yomiuri)

Former Prime Minister Shinzo Abe of the Liberal Democratic Party (LDP) in a speech given in Toda City, Saitama Prefecture, strongly rebutted former LDP Secretary General Koichi Kato's criticism of Abe and others, who in 2002 took the lead in not returning the five repatriated abductees to North Korea (as promised in the negotiations). Abe stressed: "Japan never promised (to return the victims to North Korea). It was North Korea itself that betrayed Japan with its assertion. Mr. Kato is greatly mistaken in his thinking."

11) Family association to survey lawmakers' views about lifting sanctions against North Korea

SANKEI (Page 2) (Full)
July 18, 2008

The Association of the Families of Victims Kidnapped by North Korea and the National Association for the Rescuing of Japanese Kidnapped by North Korea distributed questionnaires to all 722 members of the Diet yesterday to find out what they think about the government's plan to partially lift the economic sanctions it has imposed on North Korea. Setting the deadline for July 23, the groups expect to announce the survey result on the 28th if possible.

The questions probe: (1) the proper timing for the removal of economic sanctions; and (2) the propriety of placing additional sanctions on the North if its reinvestigation does not repatriate more abductees. Respondents must sign their names.

In the Japan-North Korea working-level talks in June, North Korea promised to reinvestigate the abduction issue. The Japanese government at that time said that it would partially lift its

TOKYO 00001991 008 OF 012

economic sanctions, but this provoked opposition from the families' association, who insisted that Japan should not lift the sanctions until all abductees come home.

In a press conference, Teruaki Masumoto, director general of the families' association, stated: "We would like to convey our view about sanctions (to lawmakers through the questionnaire). We want to notify the people of our view that it is still premature to remove the sanctions."

12) South Korean ambassador: "Presidential visit to Japan in September may be difficult" due to Takeshima issue

MAINICHI (Page 2) (Full)
July 18, 2008

(Akiko Horiyama, Seoul)

South Korean Ambassador to Japan Kwon Chul Hyun, who has temporarily returned home in protest of Japan's decision to refer to the disputed Takeshima islets (Dokdo islets in South Korean) in a teaching guideline for middle schools, responded to an interview request from the Japanese media yesterday.

Upon saying that this was his personal view, Kwon indicated that unless Japan took proper measures, it would be difficult for President Lee Myung-bak to visit Japan for a bilateral summit planned for September in Tokyo. He said:

"I wonder if our people would agree to a visit to Japan by the President. I am negative about his going unless Japan takes corrective measures."

In reference to cooperation between Japan and South Korea at the six-party talks, Kwon indicated that the bilateral relations could become strained, remarking: "(South Korea) has expressed its understanding of Japan's position on the issue of abductions (of Japanese nationals by North Korean agents), but I cannot predict

whether (bilateral relations) will end up on the rocks in the future."

Asked about when he plans to return to his post in Japan, Kwon replied with a look of disappointment: "I do not want to go back. Now that the relationship of trust between Japan and South Korea has collapsed, I cannot see what I should do."

13) Government, companies trying to lure Middle Eastern nations' government-affiliated investment funds

ASAHI (Page 7) (Full)
July 18, 2008

Moves to lure into the Japanese market the rich oil money of Middle Eastern nations are accelerating due to the steep rise in crude oil prices. An increasing number of companies are dispatching missions to the Middle East. The government has also sought investment in Japan from Middle Eastern countries by dispatching Finance Minister Nukaga to the United Arab Emirates (UAE) and other countries. The government is desperate to receive investments in Japan by Middle Eastern funds that would serve as a boost for the domestic economy.

Nukaga, who visited the UAE on July 16, met with an official of the
TOKYO 00001991 009 OF 012

government-affiliated fund Abu Dhabi Investment Council and the UAE state minister for financial affairs and encouraged UAE investment in Japan. There reportedly was a positive response with one high official saying, "Japan's real estate market is attractive. We are interested in it."

The Finance Minister visited Kuwait on the 17th and urged investment in Japan in a meeting with Prime Minister Nasser. Nasser. The Prime Minister replied, "At present, our investment in Japan stands at 15 billion dollars (approximately 1.6 trillion yen). We want to extensively increase this amount."

Middle Eastern nations' government-affiliated investment funds were established for the purpose of their managing huge amounts of foreign currencies gained from exports of crude oil, etc. They are trying to increase their assets by investing in foreign stocks, bonds, and real estate.

According to resources and finance department chief Maeda of the Japan Bank for International Cooperation (JBIC), Middle Eastern countries' government funds tend to invest from a long-term perspective and do not interfere in corporate management. They can thus become stable stockholders.

There are about 40 government-affiliated funds through the world, including those in the UAE and Kuwait. The total assets held by those funds are estimated at 2.9 trillion dollars (approximately 305 trillion yen). They have reportedly invested 60 billion dollars in Asia (approximately 6.3 trillion yen) over the past five years. Half of that amount has been invested in Japan. However, given the financial power of those investment funds, there is still tremendous room for more investment.

European and U.S. investors pulled out of Japan's investment market, following the subprime mortgage crisis in the U.S. Japanese companies' stock prices remain sluggish. As such, companies pin high hopes on Middle Eastern countries' government affiliated investment funds. An increasing number of Japanese companies are sending delegates to the Middle East, seeking promising investors.

However, Japan is lagging behind other countries in an approach to those funds. One senior official of the Finance Ministry visited Kuwait's Investment Authority to ask for its investment in Japan's government bonds. A senior official of the KIA said to this Finance Ministry official, "What is Japan doing? Chinese and South Korean officials visit us everyday to lure our investment." The briefing session for investors in the Middle East held that day was only the second, following the one in April last year. Japan's approach lacks vigor, compared with other countries' proactive sales activities, as Nukaga put it.

Another barrier is the Japanese market's allergy to foreign capital. Japan regulated foreign capital when a British fund tried to increase its stake in J-Power. The incident has given the impression that the Japanese market is closed.

Moves to look into a system for expanding investment in Japan have also appeared in the government. Concerning restrictions in investment in areas related to state security, such as electric power, Nukaga in a speech given in June referred to the possibility of creating a rule that would bar discriminating between domestic and foreign investors. The aim is to open the market to foreign

TOKYO 00001991 010 OF 012

investors under the same conditions as those attached to domestic investors and make it serve as a trigger for investment by government-affiliated investment funds.

Maeda of the JBIC said, "It is unlikely for government-affiliated funds to turn into "vocal investors." He pointed out that the challenge is for Japan to tide over its allergy to foreign capital.

14) Coordination for Putin visit to Japan in December

YOMIURI (Page 4) (Full)
July 18, 2008

The Japanese and Russian governments have entered the final stage of coordination on the timing of the visit to Japan of Prime Minister Putin, centering on late December. Since Prime Minister Putin continues to have great foreign-policy influence even after the inauguration of President Medvedev, he is seen as an important official who holds the key to resolving the northern territories issue, and it would appear that when he comes to Japan, the focus will be on whether progress is achieved. During the Japan-Russia summit meeting that took place on the sidelines of the Hokkaido Toyako Summit, there was general agreement that Putin would visit in the latter half of the year.

15) Tokyo prosecutors likely to file charges against former PCI executives for bribing Vietnamese official over acceptance of 90 million yen order

MAINICHI (Top Play) (Excerpts)
July 18, 2008

It has been learned that former executives of Pacific Consultants International (PCI, in Tama City, Tokyo) are strongly suspected of handing a total of 800,000 dollars (approximately 90 million yen) to a senior Ho Chi Minh City official in 2003 and 2006 in return for the acceptance of orders for projects regarding official development assistance (ODA) in Vietnam. The special investigation squad of the Tokyo Public Prosecutors Office appears to have decided to file charges against former PCI executives on suspicion of violating the unfair competition prevention law, which prohibits bribery of foreign public officials, after increasing the number of prosecutors in charge of the case as early as next week.

The special investigative task force asked Vietnamese judicial authorities for cooperation through diplomatic channels. Japanese prosecutors have then conducted investigations in Vietnam. In the presence of the prosecutors, the Vietnamese authorities seem to have taken testimony from the senior Ho Chi Minh City official, who allegedly received the money.

16) Prime Minister Fukuda's staying at a hotel, accompanied by private secretary, causes speculation about cabinet shuffle

MAINICHI (Page 5) (Full)
July 18, 2008

Prime Minister Yasuo Fukuda on July 17, the second day of his summer vacation, stayed overnight at a Tokyo hotel with his wife Kiyoko. Staying at the same hotel was Fukuda's private secretary. Although the explanation for the private secretary being there was said to be for personal reasons, with rumors flying about regarding the

possibility of a cabinet shuffle, the hotel stay caused speculation in political circles that there might be secret meetings late at night or early in morning.

The Prime Minister, wearing a sports jacket and necktie-less shirt, around evening left his private residence with his wife to check into a hotel. His private secretary on duty, accompanied by his wife, met them there and the four had dinner, staying in the restaurant one hour after closing. One Liberal Democratic Party lawmaker nervously said, "Perhaps he was too unsettled to stay at either the official or the private residence."

17) Ruling camp floats suggestion to put off convening extra Diet session to mid-September

MAINICHI (Page 1) (Excerpts)
July 18, 2008

The suggestion was floated yesterday in the ruling coalition parties of postponing the convocation of the next extraordinary Diet session from late August, the timing that the government is considering, to the middle of September, according to several senior members of the ruling Liberal Democratic Party (LDP). The reason is that many ruling camp members are concerned that if the extra session is convened soon, the government and the ruling bloc will come under fire from the opposition camp for a number of issues including soaring oil prices. Such a situation consequently would be used by the main opposition Democratic Party of Japan (DPJ) in its presidential election, which will be announced Sept. 8. The expectation is that Prime Minister Yasuo Fukuda will make a final decision on the matter, as well as on a possible cabinet shuffle, after his summer vacation ends on the 21st.

A senior member of the LDP Upper House Diet Affairs Committee stressed yesterday: "If the extra session is convened in late August, we will be just attacked by the opposition. I think it is better to hold off until September." One of the four LDP executive members also said on July 16: "The convocation of the extra session will probably be delayed to sometime beyond late August." Another senior LDP member pointed out: "It is necessary to closely watch all possible aspects, including the DPJ presidential election." The ruling coalition's views have already been conveyed to Fukuda.

The government will submit to the next extra Diet session a bill to extend the new Antiterrorism Special Measures Law, which allows Japan to conduct refueling activities in the Indian Ocean, since the law will expire next January. However, since the DPJ may not respond to deliberations on the bill in the House of Councillors, the ruling camp is determined that it is necessary to secure 60 days to enable it to enact the bill under the constitutional rule that the Lower House decision stands even if the Upper House disagrees or fails to take action within 60 days. Since discussion of drastic tax reform will be carried out in December, the ruling camp has been considering a timetable for the extra session from late August to late November.

18) Government considering putting off submission of supplementary budget bill to extraordinary Diet session to avoid attacks from opposition camp

NIKKEI (Page 2) (Excerpts)
July 18, 2008

The government and the ruling parties have started considering the possibility of dealing with the supplementary budget for fiscal 2008 at the outset of the regular Diet session to be convened in January next year, instead of submitting it to the extraordinary session. The aim is to stave off a clash with the opposition camp. Another plan to delay the timing for convening the extraordinary Diet session from late August as originally planned to September or later

has also surfaced. The New Komeito is seeking a postponement of the submission of a bill extending the law on refueling operations in the Indian Ocean, which expires in the middle of January next year.

Do it in the regular Diet session

The secretaries general and Diet Affairs Committee chairmen of the Liberal Democratic Party (LDP) and the New Komeito held a meeting at a Tokyo hotel on July 17. They shared the view that fiscal resources to address the soaring crude oil prices and natural disasters should be secured in principle in the initial budget for this fiscal year. Hidehisa Otsuji, head of the LDP caucus in the Upper House, said, "It is desirable to deal with the supplementary budget during the regular Diet session next year." A senior official of the Diet Policy Committee of the LDP also said, "It is difficult to do so during the extraordinary Diet session."

Behind their view is concern about the opposition camp launching an offensive in the extraordinary Diet session. If they submit the supplementary budget bill, it would necessitate holding Budget Committee sessions both in the Upper and Lower Houses, in which Prime Minister Fukuda is supposed to attend, giving opposition parties to chance to pursue the issue of pension record errors.

Mapping out measures to address the steep rise in crude oil prices is a pressing issue. If they are to be implemented before year's end, it would be too late to earmark budgetary funds for them in the supplementary budget. Funds will have to be drawn from reserve funds (350 billion yen) in the original budget. Some ruling party members are still insisting that fiscal resources for measures to expand domestic demand and to reduce the burden of medical expenses paid by the elderly should be earmarked in the supplementary budget.

The government is also considering convening the extraordinary Diet session in September as usual. This is a measure to cope with the DPJ. Regarding a bill extending the law on refueling operations in the Indian Ocean, the focal point of a battle between the ruling and opposition camps, the ruling parties do not want the opposition camp to be alarmed that the ruling parties are trying to forcibly adopt the bill once again in the Lower House, using the 60-day rule.

ZUMWALT